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The Newspaper of the Non-Profit World

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UNITED WAY OF AMERICA: 'A STORY OF EXCESS'

Report of internal investigation accuses charity's former president of misusing funds, but he denies charges; board adopts reforms

By BRUCE MILLAR

WASHINGTON

THE "loose and independent" management style practiced by William Aramony in his 22 years as president of United Way of America led to numerous unethical and illegal activities, according to a report released by the organization last week.

The investigation "reveals a story of excess and of values lost," the report said, adding that the disclosures "will surely be disturbing findings to the tens of millions of Americans who give of themselves to help others."

Mr. Aramony has denied serious improprieties. He resigned in February amid public outrage over reports that he received $390,000 in salary and $73,455 in benefits as well as numerous other perquisites.

SAM KITTNER, FOR THE CHRONICLE

United Way of America's Kenneth W. Dam, releasing a report on how the organization was run: "This will certainly outrage people who have given their hard-earned money week by week to help the United Way help those in need."

The report, commissioned by the United Way of America Board of Governors and conducted by a Washington law firm, found that United Way of America had paid for at least $360,000 worth of expenses for air travel, hotels, limousines, and gifts for Mr. Aramony from 1988 through 1991. In many of those cases, the report said, it was not clear that the expenses were essential to the conduct of United Way of America business.

The report also said that during Mr. Aramony's tenure, United Way of America had lost significant amounts of income by spinning off several organizations that provide services to United Ways and other non-profits.

"Expense claims which Mr. Aramony submitted to UWA for such items as first-class travel, limousine services, and gifts to friends are dwarfed by the expenditures Mr. Aramony approved for questionable consulting fees, ill-founded transfers of funds to spin-offs, high salaries, and benefits for senior executives," the report said.

'This Will Certainly Outrage People'

"This will certainly outrage people who have given their hard-earned money week by week to help the United Way help those in need," said Kenneth W. Dam, interim president of United Way of America. "They will and should feel betrayed. I want to express my heartfelt apology to each of those people for what this controversy has done."

Prior to public release of the report, the United Way of America's 37-member board voted unanimously not to pay any of Mr. Aramony's pension, worth in excess of $4.4-million, until all legal questions have been settled.

The board unanimously approved more than two dozen recommendations made in the report. Among the most significant was that the board hire an independent accounting firm to conduct a detailed audit to determine the precise amounts that may have been improperly charged by Mr. Aramony and Thomas J.

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ARCO

Companies' New Advocacy
Company leaders like ARCO's Robert E. Wycoff (*above*) are trying to multiply the effects of corporate grant making by advocating changes in social policy. Story on Page 6.

Philanthropy and the Election
All three major Presidential candidates have views on volunteerism, charitable giving, and other issues of interest to non-profits. Story on Page 8.

A complete guide to this issue appears on Page 3.

WHAT'S IN THIS ISSUE

A guide for the busy reader

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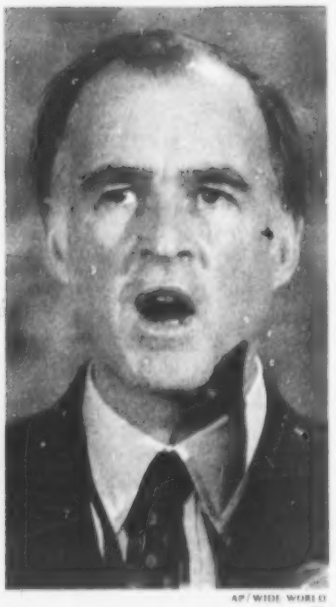
AP/WIDE WORLD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About Fund Raising

21 The United Negro College Fund is closing six fund-raising offices and firing 25 employees.

21 A Florida charity is suing a donor for failing to come through with a promised contribution.

35 Charity lobbyists remain optimistic about the chances of extending a key tax break for gifts of appreciated property, even though President Bush has vetoed one tax bill (Tax Watch).

15 Recent gifts to non-profit organizations and institutions.

21 Interest rates for planned gifts, issued by the Internal Revenue Service.

About Foundations

15 The new president of the William T. Grant Foundation may have a special source of advice on foundation management: her husband.

14 The McKnight Foundation has started a new program to protect the Mississippi River.

14 The largest grant in the history of the George Gund Foundation will help build a museum.

14 A group of 13 grant makers is joining forces in a program to help women overcome poverty by starting their own businesses.

14 The William R. Kenan, Jr. Charitable Trust has started two new funds, one in the arts, the other in the sciences.

16 The DeWitt Wallace–Reader's Digest Fund has given Camp Fire $2.5-million to beef up its staff training and recruitment.

16 Recent grants by foundations, corporations, and other grant makers.

18 Summaries of annual reports from the Mary Reynolds Babcock, Ford, Public Welfare, and Rockefeller Foundations, and the Commonwealth Fund.

About Corporations

6 As grants budgets get tighter, many corporate chief executives are using their own and their companies' influence to press government at all levels to be more effective in delivering services and solving social problems.

10 An RJR Nabisco program has become the model of President Bush's plan to improve the nation's schools.

12 The Prudential insurance company mobilized corporate chief executives to campaign for increased federal funds to help poor women and their children.

14 An Iowa company has withdrawn a promised grant to Planned Parenthood following protests over the donation.

15 A New Jersey company has created a new $200,000 award for research on aging.

About Managing Non-Profits

1 A report to the Board of United Way of America charges the organization's former president, William Aramony, with a breach of trust in the way he ran the organization. The law firm that conducted the investigation says it found "a story of excess and of values lost."

34 Non-profit theaters had one of their worst years ever in 1991, as increases in contributions were not enough to offset losses due to falling attendance.

35 The Art Institute of Chicago is engaged in a public-relations battle with a coalition of for-profit businesses that accuse the museum of unfair competition because it has established gift shops in two shopping malls (Tax Watch).

35 Reports on charities by the Better Business Bureau and National Charities Information Bureau.

Of Special Interest to Board Members

1 **The board of United Way of America was not kept informed about many of the activities of the organization's then-president, William Aramony, says a report developed for the organization by its law firm. The United Way board must change many of its policies and procedures to try to avoid the kind of controversy that has rocked the organization in recent months, the report said.**

35 **Lobbyists for non-profits are optimistic about the chances for extension of a key tax break for donations of appreciated property, even though President Bush vetoed one tax bill containing the provision.**

About Volunteers

8 None of the three major Presidential candidates has made volunteerism a centerpiece of his campaign, but all have views on that and other issues of interest to non-profits.

14 Points of Light 720 to 731 were named by the Bush Administration.

About Children and Youth

12 Foundation leaders and people who work directly with the young often have differing views on how best to deal with the problems of America's children, according to a new survey.

14 A new national organization will help local groups that are working to improve the lives of children.

7 James J. Renier, chairman of Honeywell, has become a strong advocate for the needs of children.

Also in This Issue

21 **Ideas:** Raising money with Spam sculptures, settling a dispute by arm-wrestling for charity, and listing experts on a computer disk.

37 **Press Clippings:** *New York* magazine on salaries and perquisites at the Museum of Natural History, *Teachers College Record* on research about philanthropy, and *Town & Country* on the problems of boarding schools.

36 **Books:** A summary of *The Animal Rights Crusade: the Growth of a Moral Protest*, and listings of other new books.

40 **Opinion:** Barry R. Rubin on building diversity in the non-profit world; Pablo Eisenberg on the late Paul Ylvisaker.

40 **Letters** on the controversy over United Way of America.

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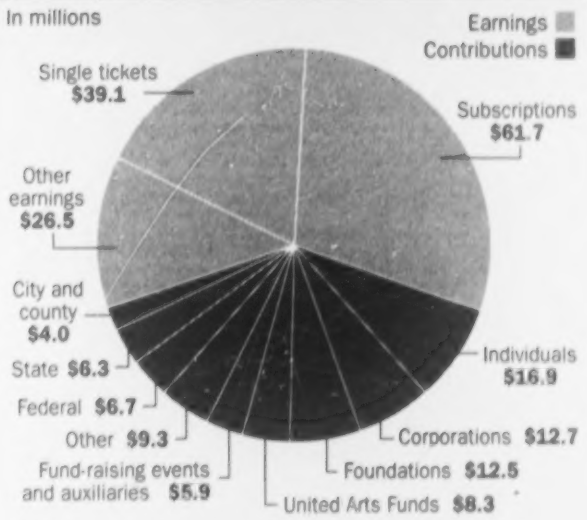
Non-Profit Theaters: a Statistical Profile

1991 Totals for 184 Theaters

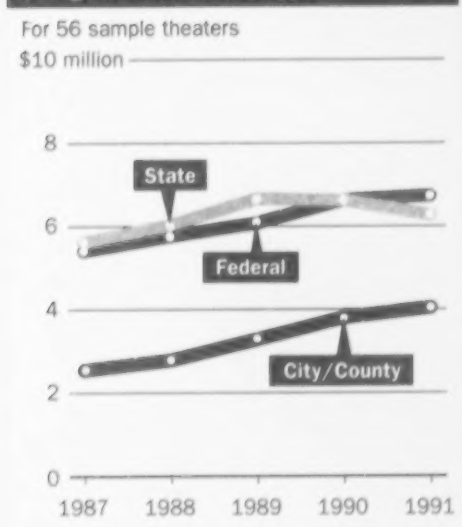
Productivity	
Attendance	16,860,484
Subscribers	956,257
Performances	48,695
Productions	2,277
Finances	
Earnings	$202,568,667
Contributions	131,332,227
Total income	333,900,894
Total expenses	336,681,065
Deficit	–2,780,171
Work force	
Artistic	12,593
Administrative	5,220
Technical	7,164
Total paid personnel	24,977

Sources of Income

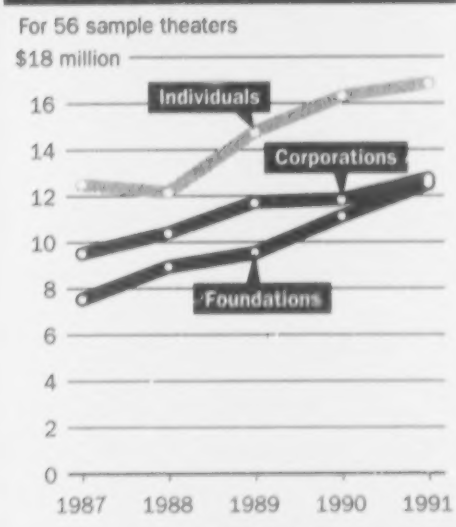


For 56 sample theaters

Changes in Government Support



Changes in Private Support



SOURCE: Theatre Communications Group

CHRONICLE CHART BY JODI CRAGASIN

Donations Up, Attendance Down at Non-Profit Theaters

By VINCE STEHLE

Non-profit theaters saw one of their worst years on record in 1991, says a new report.

Attendance dipped for the first time in at least 20 years, about half of the nation's theater's had budget deficits, and seven of them had to close last year, according to "Theatre Facts 91," a report of a study conducted by the Theatre Communications Group, a New York–based organization that represents non-profit theaters.

"It certainly felt like the grimmest year ever," said Barbara Janowitz, author of the report.

The deficit and attendance figures are bleak, she said, and the reality is even worse. "What the survey doesn't show is that these are the numbers after all the program cuts, after the staffs had been cut, and after the salaries had been frozen," said Ms. Janowitz, director of management services.

The report was based on responses from 184 theaters. Fifty-six of them have provided data for the past five years and were used to determine long-term trends.

Among the findings:

► Grants and contributions last year rose by 5.8 per cent over the previous year, but failed to close the gap between earned income and expenses. As a result, the combined balance of revenues and expenses at the theaters showed a deficit of nearly $2.8-million.

► Contributions from individuals continued to make up the largest source of private support. However, the rate of increase of individual gifts slowed to just 3.5 per cent, compared to 10.4-per-cent growth the previous year.

► Foundation support outpaced increases in other sources of income. Last year, foundation contributions rose by 12.6 per cent.

7 Theaters Shut Down

Taken together, the modest growth in contributed income could not offset the poor showing at theater box offices. For the first time since the Theatre Communications Group began collecting data in 1973, attendance at non-profit theaters fell last year. Attendance at all events fell by 3.6 per cent.

Most of the financially troubled theaters participating in the study were able to stay open by cutting their programs and expenses. But financial pressures caused seven of them to shut down.

The depth of financial problems facing American theaters varies by geographic region, however. "The recession hit the Midwest in the current fiscal year, so we're feeling the effects more now than we did in 1991," said Roche Schulfer, producing director of Chicago's Goodman Theatre.

In Seattle, where the economy is still relatively strong, theaters are thriving, said Susan Moritz, managing director of A Contemporary Theatre. "ACT is in as good shape as it has ever been in," she said. "Fund raising is over budget, and we've seen a 15-per-cent increase in subscriptions. But our economy is in much better shape than the rest of the country."

The report appears in this month's issue of *American Theatre*, a magazine published by the organization.

Copies are available for $3.50, plus $1.50 postage and handling from the Publications Department, Theatre Communications Group, 355 Lexington Avenue, New York 10017.

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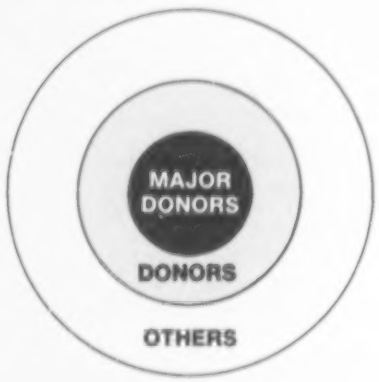

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OPINION

Commentary and Letters

To Achieve Diversity, Change How You Hire

By BARRY R. RUBIN

DIVERSITY IS IN DANGER of becoming just another buzz word, an obligation to be fulfilled, a burden for non-profits to bear. But charities have a special responsibility to understand and achieve diversity in their ranks. Our sector needs diversity to thrive.

The problems we face as a nation cut across racial, ethnic, class, gender, and other lines, yet many citizens are not full participants in formulating and implementing the solutions to those problems. We cannot afford to exclude from our numbers, even inadvertently, those who, by virtue of age, experience, or background, may help us all better understand our society and the issues we face. A diverse non-profit sector enables us to continually restock our store of ideas with fresh thinking and new perspectives. Without them, we risk the intellectual and professional stagnation that in-breeding causes.

MY VIEW

Organizations cannot expect even the most dedicated and well-educated new staff member to possess all the office and professional skills necessary to do the job.

Non-profit organizations derive their power and authority in part from their claim to represent the "public interest." They provide a critical counterbalance to the powerful, moneyed, "special interests" that could otherwise skew the public-policy-making process. Non-profit organizations speak on behalf of children or people with AIDS or the homeless: the underrepresented in our society. But unless we open our ranks to the diversity around us, we jeopardize our special status.

Many organizations have made progress, but most need to do much more. Changing our philosophy about recruiting, hiring, and paying workers will go a long way toward diversifying the staffs of non-profit organizations.

With the best of intentions, too many organizations welcome unpaid interns. Others pay little to interns, effectively denying internship opportunities—which often open the doors to permanent positions—to those who must work to earn living expenses in school or to pay escalating tuition costs. Those who can afford to take full-time internships generally have an independent source of income, usually parents, to make up the difference. The situation is only somewhat better for entry-level jobs, where organizations often take "pride" in an ethic that permits them to pay less than living wages.

We all have so much work to do; our agendas are always large and growing; and the problems we work on—preserving the environment or protecting civil rights, for example—are long-term issues that will always require more work than the available workers can possibly do. It's understandable, therefore, that we often don't resist the temptation that free or drastically underpaid help offers us. But consider the cost. Among young people, who can afford to take unpaid internships? How many college or professional-school graduates who survived only on student loans can afford to take subsistence-level jobs? How many of our staff members will come from low-income backgrounds? How many will be former full-time homemakers or single parents? We pay a heavy price if we look only at our short-term needs.

We must recognize that too often our hiring patterns and practices contribute to the lack of diversity. Too much reliance on "accidental recruiting"—sitting back and waiting for résumés to arrive or colleagues to recommend colleagues—reinforces established patterns of employment.

As costly as it may seem, we have to find ways to reach out, for the cost of not doing so is far greater. Recruiting can seem expensive and time consuming, particularly when someone always seems to know someone who would be "perfect" for the position and who doesn't have to be recruited. Finding new and unfamiliar places to look is difficult, especially for organizations that have only occasional job openings. When organizations do make the effort to "post" job openings, too often the search is limited to sending job announcements to a network of similar organizations. The least we can do is to circulate announcements widely and advertise openings. A more ambitious solution is to work together to create an informal outreach and employment consortium, with organizations pooling limited resources to reach into new populations and new places.

Grant makers also have an obligation to recognize that it costs money to reach out. Providing sufficient funds to pay decent intern stipends and starting salaries is an important beginning, as is supporting, with more than encouraging words, the labor-intensive process of achieving and sustaining diversity.

LETTERS

Why We Fear a Backlash Over the United Way of America

TO THE EDITOR:

Those of us who labor in the social services have good reason to fear a backlash in the wake of William Aramony's resignation as president of United Way of America ("United Way: the Fallout After the Fall," March 10).

As allegations fly about Aramony's excessive compensation and faulty management decisions, local United Way presidents are struggling mightily to maintain donor support around the country. For a sense of perspective, all involved need to remember that:

A caseworker with a master's degree, working in one of New York's settlement houses, averages about $24,000 a year and typically has no pension and limited health benefits. The executive director of a settlement house, who is responsible for managing a multimillion-dollar agency that employs several hundred people, earns about $60,000. The cook, who prepares meals for the homebound elderly, earns under $16,000. Moreover, because of the recession, they do not expect to receive salary increases this year or next. It's the same story elsewhere in the country.

If contributions to the United Way fall, there will be less support available to non-profit